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Caribbean Basin

Market Development Reports

Cuba's Food Prices 2004

2004

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Report Highlights:

This report was prepared by the U.S. Interest Section, Havana and is part of an ongoing series of reports on food prices & availability. A comparison of basic food prices in January 2003 and January 2004 shows that food prices declined by nine percent. However, this leaves the average Cuban family of four spending 90 percent of their monthly income on food.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Miami [C11]
[C1]

A. Summary

A survey of Havana markets shows that prices for basic foodstuffs dropped nine per cent compared to last year, from 563 to 513 pesos. The fall in prices means a Cuban family living on a standard income of 524 pesos a month (20 USD) is now theoretically able to fulfill its basic food needs. Both government policy and outside factors (such as hurricane recovery) could have played a role in the price decrease. Availability of food products in state markets was a continuing problem and the lack of wage data means purchasing power is difficult to determine. Finally, even with a decrease of two dollars a month in food prices, our sample family still spends an impossible 90 per cent of its income on food. This means that families are not eating well, or more likely, securing additional income through generous relatives, jobs with dollar tips, or illicit activities. The drop in food prices is good news for consumers but the overall context remains grim.

B. Comparison Between January 2003 & 2004

In January 2003 the US Interest Section (USINT) in Havana conducted a market survey to estimate how much a Cuban family of four must spend on food each month in order to survive. Assuming the family's ration book provides a week's worth of food every month and that some family members receive subsidized lunches, we determined that the family would need to spend 563 Cuban Pesos (CP) every month to meet its basic food needs (22 USD). Based on a combined average salary of 524 CP for two working adults, we determined that in 2003 our sample family fell short of meeting these needs by 39 CP every month (1.50 USD) (Please see Gain Report # C13012.)

Our January 2004 follow-up survey determined that prices fell almost across the board for a basket of basic goods. The standard family basket could now be purchased for 513 CP, or 50 CP (1.90 USD) less than last year. The nine per cent difference in prices means the family's combined salary is now sufficient to cover the cost of a basic food basket, but little else.

TABLE 1. PRICE OF BASIC FOOD BASKET FOR A CUBAN FAMILY OF FOUR, JANUARY 2003 VS. 2004, IN CUBAN PESOS (CP)

Food Products	Price, Jan 2003, CP	Price, Jan 2004, CP	Percent Change
Rice (10 lbs)	40	30	-25
Bread (8 loafs at 1 lb. Each)	80	76	0
Other Seasoning/Spices	15	15	0
Pork (4 lbs.)	88	76	-14
Fish Sticks (80)	24	40	67
Subsidized Food (ration book) ¹	60	60	0
Subsidized Lunches ²	51	51	0
Total	563	513	-9

¹ The ration book covers a week's worth of rice, beans, oil, eggs and other items for a few cents per pound. ² Lunches are provided for workers and most school-aged children for a few cents each.

C. Expanding The Basket

If our family members had access to additional resources, e.g. generous relatives abroad, a job in the tourism sector, or employment under the table, they might expand their purchases beyond this basic food basket. In this case, the family might buy fruit or higher quality rice and shop at one of the farmers markets called “agromercados”. Below is a price survey of an expanded basket of goods that shows the difference in prices between the most expensive option; farmers markets, and the cheapest state option, markets run by a branch of the military called the Ejercito Juvenil de Trabajo (EJT). We also included figures taken from Tribuna de la Habana newspaper, which publishes “Official Capped Prices”. Capped prices do not govern all products in all state markets, but none of the state markets we visited exceeded these prices.

TABLE 2. OFFICIAL CAPPED PRICES AND MARKET PRICES IN GREATER HAVANA; CP/lb.

Food Products	Official Capped Prices, CP/lb	Farmers Market, Prices, CP/lb	EJT ¹ Markets Prices CP/lb
Rice	4	4	3
Beans	7	9	5
Lard	15	15	13
Plantains	1	1	n/a
Sweet Potatoes/Squash	1	3	n/a
Onions	5	10	4
Garlic (bulbs)	Not listed	3	1
Limes	1	1	n/a
Tomato Sauce (half-liter bottle)	6	n/a	n/a

Luxury Items			
Pineapple	3	13	n/a
Papaya	1	4	n/a
Oranges	1	1	n/a
Yucca	1	3	n/a
Malanga (Taro)	3	4	n/a
Cabbage	1	6	1
Carrots	2	5	n/a
Beets	2	5	1
Tomatoes	2	4	1
Lettuce	1	5	1
Cucumber	1	2	n/a
Potatoes	Not listed	5 ²	n/a

Protein			
Eggs (each)	Not listed	2 ²	n/a
Pork (lbs)	21	25	19
Ham (lbs)	34	n/a	30
Mutton (lbs)	20	25	n/a

¹ Ejercito Juvenil de Trabajos (EJT) are markets run by a branch of the military.

² Potatoes and eggs are sometimes distributed through the ration book. Their availability in stores is spotty, but they can be purchased illegally at markets and door-to-door. The going price for eggs is 2 CP each.

The EJT Markets look like a great deal for our family. Without exception, all prices at the EJT Markets were the same or cheaper than the official capped prices. The quality of produce was mediocre compared to the farmers markets, but acceptable.

The problem with state markets, however, is availability. As shown by the chart above, a wide range of produce at the EJT is unavailable. The same goes for other state outlets we visited, such as organoponicos which are state-run urban gardens and peso stores. At one organoponico we visited, the produce was beautiful and the prices unbeatable. Unfortunately, there was nothing for sale but parsley, bak choy and radishes.

At the other end of the spectrum, farmers markets are the most expensive option. In these markets, private farmers and cooperatives sell surplus produce after meeting their obligations to the state. Because they set their own prices, they reflect the hidden demand for items unavailable at state outlets. For example, the official capped price for pineapples is 3 CP per pound (8 cents USD), but since they were not for sale at the state outlets, cooperatives can charge 13 CP (50 cents USD) for them at the farmers markets.

Availability improved over the past year at the farmers markets. In fact, the only unavailable items were explicitly prohibited for sale there; i.e., tomato sauce and ham. Given the tradeoffs between availability, price and quality, the logical choice for families with a higher than average standard of living would be to buy available items at an EJT or other state outlet and then shop around at the farmers markets.

D. Cuban Government (GOC) Progress On Policy And Prices

In July 2003, Vice President of the Council of State Carlos Lage announced new strategies to reduce state market prices by cutting out intermediaries and capping prices. Though the strategy was ill-defined and only partially implemented, it appears the Cuban Government (GOC) made progress towards the goal of reducing prices at state markets.

Table 3 shows lower capped prices on a mix of popular products (both basic and luxury) compared with 2003. However, the state slashed prices on several other luxury items such as yucca and oranges by as much as 30-50 percent, but again, we never saw those items for sale in state-run outlets.

TABLE 3. OFFICIAL CAPPED PRICES, SELECT POPULAR ITEMS, JANUARY 2003 VS. 2004, CP/lb.

Food Product	Price Jan, 2003 CP/lb	Price Jan, 2004 CP/lb	Percent Change
Rice	4	4	0
Beans	8	7	-13
Plantains	1	1	0
Squash/Sweet Potatoes	1	1	0
Onions	7	5	-29
Tomatoes	3	2	-33
Cucumber	1	1	0
Pork	22	21	-5

The downward trend in prices appears to have affected the farmers markets as well:

TABLE 4. FARMERS MARKETS PRICES FOR SELECT POPULAR ITEMS, JANUARY 2003 VS. 2004 CP/lb.

Jan Percent	2003	2004	Percent Change
Rice	5	4	- 20
Beans	10	9	- 10
Plantains	1	1	0
Squash/Sweet Potatoes	2	3	50
Onions	9	10	11
Tomatoes	7	4	- 43
Cucumber	4	2	- 50
Pork	25	25	0

E. Comment: keeping It All In Perspective

The fall in prices could be attributed in part to explicit government policy. The capping of state market prices may have had a downward effect, even if Lage's other strategy - elimination of the middleman - has been generally ignored. Other factors may have been more influential, e.g., the economy's generally improved performance over 2003, the agricultural sector's recovery from hurricane damage in 2001, and the conversion of lands from sugar production to other uses.

It is also possible that the price decrease does not translate into improved purchasing power. For example, the GOC has not published data on Cuba's average wage since 2001. Also, the GOC tendency to cap prices on luxury goods that never came up for sale at state markets makes the government look good on paper without any real impact. Finally, even with a drop of two dollars in food prices, our sample family supposedly spends an impossible 90 per cent of its income on food. The family still has to pay for transportation, utilities, personal care products, clothes, etc. The conclusion is that the average Cuban family living on a standard income is unable to fulfill its basic needs without accessing additional resources. The drop in food prices is one piece of good news in an otherwise grim situation.

NOTE ON SURVEY: All prices were rounded to the nearest whole number. For a copy of the complete price survey, email pittsue@state.gov.

F. For more information on food and agriculture in Cuba please visit our website: www.cbato.fas.usda.gov, and click on "Cuba"

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